



DECEMBER 21, 2018

PROJECT NO: 16-102

**CERTIFIED MAIL NO. 7015 3430 0000 7203 1949**

**RETURN RECEIPT REQUESTED**

Mr. Donald G. Frankel, Senior Counsel  
Environmental Enforcement Section  
Department of Justice  
One Gateway Center  
Suite 616  
Newton, MA 02458

Claude Walker, ESQ.  
Attorney General  
Department of Justice  
Office of the Attorney General  
334-38 Kronprindsens Gade  
GERS Building, 2nd Floor  
St. Thomas, Virgin Islands 00802

**RE: Proposed 2018 Budget, Revision 5**  
**Bankruptcy Case No. 1: 15-bk-10003-MFW; EPA ID No. VID980536080**

Dear Messrs. Frankel and Walker:

The HOVENSA Environmental Response Trust (ERT) is subject to additional work which was not included in the approved 2018 expenditure budget. The additional work is a result of two items: 1) on-going negotiations with Limetree Bay Terminals, LLC (Limetree) on the rates for shared services provided by Limetree to the ERT, and 2) Limetree exercising their option to purchase some of the property that was deeded to the ERT. The ERT has reviewed the 2018 budget and determined that this additional, unplanned work exceeds the approved 2018 budget and the ERT requests an increase in the budget. Specifically, the ERT requests an increase of \$20,000 in budget line item 31 (fees for the Trust and Trustee) to cover the additional expenditures related to the shared services negotiations and an increase of \$40,000 in budget line item 29 (business operating expenses) to cover the additional expenditures related to legal fees resulting from the property transfer. Each of the line items requires approval by the United States Department of Justice (US DOJ) and the United States Virgin Islands Attorney General (VI AG).

As part of the bankruptcy process and Limetree's purchase of the terminal and refinery assets, HOVENSA, L.L.C. (HOVENSA) entered into a shared services agreement which requires Limetree to provide utilities and specified services to HOVENSA, initially, and subsequently to the ERT. The shared services agreement was structured such that the utility rates would be a flat monthly rate for the first two years (i.e. while Limetree established their business and developed their operating costs) and new rates would be developed beginning year three of the agreement. The flat monthly rates expired on January 4, 2018. Discussions on the renewed rates were initiated in early 2018 and were then halted by Limetree as their focus shifted to the restart of the refinery. When Limetree's refinery transaction closed, Limetree contacted the ERT to resume discussions. Though Limetree and the ERT have progressed in discussions and are now close to finalizing the rates, the extended length of discussions and the inefficiency of stopping and restarting discussions was not anticipated when the 2018 budget was developed.

## HOVENSA Environmental Response Trust

Messrs. Frankel and Walker  
US DOJ and VI AG

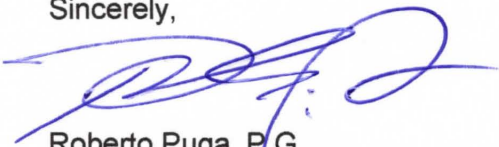
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On November 7, 2018, Limetree provided formal notice to the ERT of intent to exercise its option to purchase property designated in the Option Agreement developed during the 2016 bankruptcy and sale transaction. Discussions regarding Limetree exercising their purchase option began prior to receipt of the formal notice and Limetree made multiple changes to their request prior to providing the final November 7 notice. The multiple changes by Limetree, combined with the unexpected review of Limetree's new Operating Agreement with the Government of the Virgin Islands for the refinery and revised Operating Agreement for the terminal, led to discussions with Limetree's Legal Counsel that were much more involved than expected. Though earlier versions of the 2018 budget included legal fees to cover expenditures in the event Limetree exercised their purchase option, these legal fees were removed from the revised budget submitted on April 4, 2018. The budget submitted on April 4, 2018 also did not anticipate Limetree's new and revised Operating Agreements nor the resulting fees for legal review of these documents.

A revised Table 1 summarizing the 2018 expenditure budget is attached. This table was originally submitted by the ERT on December 14, 2017 with revisions submitted on January 29, 2018 and April 4, 2018. The April 4, 2018 version was approved by DOJ in an e-mail dated April 11, 2018. A recent revision, which required EPA approval, was submitted on November 1, 2018 and approved by EPA in a letter dated November 23, 2018.

Thank you for your time and attention to this request. The ERT respectfully requests written approval from the US DOJ and VI AG as soon as possible to ensure continued compliance with the ERT Agreement. If additional information is required, please contact Carey Guilbeau at (340) 692-3179.

Sincerely,



Roberto Puga, P.G.  
Principal of Project Navigator Ltd., solely in its capacity as Trustee for the HOVENSA Environmental Response Trust

Enclosure

cc: Ms. Amy Chester, EPA Region 2 (Chester.Amy@epa.gov)  
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**HOVENSA Environmental Response Trust**

Messrs. Frankel and Walker  
US DOJ and VI AG

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Table 1. HOVENSA Environmental Response Trust 2018 Budget  
Revision 5

DRAFT

Revision 5: 12/21/18

| Approval Authority                 | ERT Account    | ERT Agreement<br>Wind Down Estimate Line Items |   | ERT Account          |                      |                |                | RCRA Financial Assurance Trusts<br>(Administered by EPA) |                      |                        |                        | Limetree<br>(As per Section 7.33 of the Asset Purchase Agreement) |                      |                      |                      | 2018 Totals  |                          |             |             | Consent Decree Escrow |
|------------------------------------|----------------|--|---|----------------------|----------------------|----------------|----------------|--|----------------------|------------------------|------------------------|---|----------------------|----------------------|----------------------|--------------|--------------------------|-------------|-------------|-----------------------|
|                                    |                |  |   | Q1 2018              | Q2 2018              | Q3 2018        | Q4 2018        | Q1 2018  | Q2 2018              | Q3 2018                | Q4 2018                | Q1 2018   | Q2 2018              | Q3 2018              | Q4 2018              | ERT Accounts | RCRA Financial Assurance | Limetree    | 2018 Totals |                       |
| EPA                                | Remediation    | 1  | PRPP - OWS Testing & Repair <sup>3</sup>  |                      |                      |                |                |  |                      |                        |                        | \$44,250  | \$44,250             | \$44,250             | \$44,250             |              |                          | \$177,000   | \$177,000   |                       |
| EPA                                | Remediation    | 2  | Scrap Metal / Recycle Yard Management   |                      |                      |                |                |  |                      |                        |                        | \$465,000   | \$465,000            | \$465,000            | \$465,000            |              |                          | \$1,860,000 | \$1,860,000 |                       |
| EPA                                | Remediation    | 3  | Asbestos Landfill   |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| EPA                                | Remediation    | 4  | Corrective Action / Remediation / Hydrocarbon Recovery  |                      |                      |                |                | \$420,000  | \$420,000            | \$420,000              | \$420,000              | \$149,000   | \$149,000            | \$149,000            | \$149,000            |              | \$1,680,000              | \$596,000   | \$2,276,000 |                       |
| EPA                                | Remediation    | 5  | Landfarm 1 Post-Closure   |                      |                      |                |                | \$14,050   | \$14,050             | \$14,050               | \$14,050               |   |                      |                      |                      |              | \$56,200                 |             | \$56,200    |                       |
| EPA                                | Remediation    | 6  | Landfarm 2 & 3 / RCRA Permit  | \$ 252,000           | \$197,000            |                |                |  |                      | \$338,000              | \$730,931              |   |                      |                      |                      | \$449,000    | \$1,068,931              |             | \$1,517,931 |                       |
| DPNR                               | Remediation    | 7  | TPDES   |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| EPA                                | Remediation    | 8  | WWT (Primary & Secondary) <sup>4</sup>  |                      |                      |                |                | \$525,000  | \$525,000            | \$525,000              | \$525,000              |   |                      |                      |                      |              | \$2,100,000              |             | \$2,100,000 |                       |
| US/VI <sup>1</sup>                 | Administrative | 9  | Data & Records Management & Retention   |                      |                      |                |                |  |                      |                        |                        | \$30,000  | \$30,000             |                      |                      |              |                          | \$ 60,000   | \$60,000    |                       |
| DPNR                               | Remediation    | 10a  | Consent Decree - VI TSEP <sup>2</sup>   |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         | \$4,875,000           |
| EPA                                |                | 10b  | Consent Decree - WAPA Project <sup>2</sup>  | \$423,898            |                      |                |                |  |                      |                        |                        |   |                      |                      |                      | \$423,898    |                          |             | \$423,898   |                       |
| DPNR                               | Remediation    | Line 11  | Air Permitting / Title V  |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| EPA                                | Remediation    | Lines 12 - 24                                  | Tier II, TRI / EI, TSCA, BWON, GHGs, CEMs, Boiler MACT, LDAR, Refinery MACTs, Regional Haze, SO2 non-attainment, SOCFI-HON, Tank Requirements |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| EPA / DPNR                         | Remediation    | Line 25  | Potable Water / SDWA  |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| US/VI <sup>1</sup>                 | Administrative | 26   | Utilities: Electric   |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| US/VI <sup>1</sup>                 | Administrative | 27   | Utilities: Compressed Air & Water <sup>3</sup>  |                      |                      |                |                |  |                      |                        |                        | \$12,501  | \$12,501             | \$12,501             | \$12,501             |              |                          | \$50,004    | \$50,004    |                       |
| US/VI <sup>1</sup>                 | Administrative | 28   | Security  |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| US/VI <sup>1</sup>                 | Administrative | 29   | Business Operating Expenses   |                      |                      |                |                |  |                      |                        |                        | \$18,100  | \$18,100             | \$18,100             | \$58,100             |              |                          | \$112,400   | \$112,400   |                       |
| DPNR                               | Remediation    | 30   | PLL Insurance Premium   |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| US/VI <sup>1,5</sup>               | Administrative | 31   | Fees for Trust and Trustee  |                      |                      |                |                |  |                      |                        |                        | \$36,000  | \$36,000             | \$36,000             | \$56,000             |              |                          | \$164,000   | \$164,000   |                       |
| DPNR                               | Remediation    | N/A  | Marine Impact Study   |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$0         |                       |
| TOTALS                             |                |  |   | Q1 2018<br>\$675,898 | Q2 2018<br>\$197,000 | Q3 2018<br>\$0 | Q4 2018<br>\$0 | Q1 2018<br>\$959,050                                     | Q2 2018<br>\$959,050 | Q3 2018<br>\$1,297,050 | Q4 2018<br>\$1,689,981 | Q1 2018<br>\$754,851  | Q2 2018<br>\$754,851 | Q3 2018<br>\$724,851 | Q4 2018<br>\$784,851 | \$872,898    | \$4,905,131              | \$3,019,404 | \$8,797,433 | \$4,875,000           |
| 2018 ERT BUDGET (Excludes VI TSEP) |                |  |   |                      |                      |                |                |  |                      |                        |                        |   |                      |                      |                      |              |                          |             | \$8,797,433 |                       |

Notes:

<sup>1</sup> This approval requirement (Section 7.13.5 of the ERT Agreement) is interpreted to mean the U.S. represented by U.S. DOJ and the VI represented by the Virgin Islands Attorney General.

<sup>2</sup> These expenditures are subject to the terms of the Consent Decree between HOVENSA, L.L.C. and the United States of America (Civil Action No. 1:11-cv-00006)

<sup>3</sup> The ERT is renegotiating these costs with Limetree Bay Terminals, LLC.

<sup>4</sup> The ERT is in the process of reviewing alternative options for WWT, including renegotiated prices with Limetree Bay Terminals, LLC.

<sup>5</sup> The base estimated fee for 2018 is \$36,000 per quarter, or \$144,000 per year. \$16,000 will be rolled over to the first quarter from the 2017 budget underrun to complete shared services negotiations with LimeTree.

Revision List:

Revision 1: 1/29/18 - Column Heading "Funding Source" was removed from the ERT Accounts, RCRA Financial Assurance Trusts and Limetree Columns.

Revision 2: 1/29/18 - Column Heading Under "2018 Totals" was revised from "All Funding Sources" to "2018 Totals."

Revision 3: 3/30/18 - Adjustment in Line item 29 (Business Operating Expenses) from an annual total of \$112,400 to \$72,400.

Revision 4: 10/30/18 - \$392,931 Added to the Q4 2018 RCRA Financial Assurance Trusts expenditures for Line Item 6 (Landfarm 2 & 3 / RCRA Permit) bringing the total RCRA Financial Assurance Trusts expenditures in 2018 for Line Item 6 to \$1,068,931.

Revision 5: 12/21/18 - \$60,000 Added to cover unplanned and unanticipated expenses related to Limetree exercising their option to purchase land and to negotiations with Limetree on the Shared Services Agreement.